

Exhibit E



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SEC storms the 'Castle'

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The castle appears to be just the tip of the iceberg.

According to sources familiar with the matter, the Securities and Exchange Commission, along with other Wall Street enforcers, are probing whether Lehman Brothers funded investment vehicles for the sole purpose of using them to hold toxic assets and improve its debt-laden balance sheet.

The revelation of the particulars of the SEC's probe comes amid reports that Lehman shunted billions to a seemingly independent small company called Hudson Castle in order to pretty up its books. Lehman never disclosed the practice, nor did it mention that Hudson Castle was in part owned by the now-defunct investment bank.

Specifically, sources tell The Post that regulators are investigating whether Lehman, in the months ahead of its epic September 2008 collapse, agreed to fund money-management firm R3 Capital Partners and other outfits, with the intent of using them as discreet dumping grounds for assets stockpiled on what was at the time a \$639 billion balance sheet.

The SEC is said to be looking into so-called special purpose entities, staffed by former Lehman employees and funds, that may have enabled Lehman to mask its toxic balance sheet.

In the summer of 2008 R3, which was founded by Rick Rieder, Lehman's former head of principal investments, received a \$1 billion capital injection from Lehman in exchange for a 45 percent stake in the firm.

After plowing money into R3, Lehman offloaded corporate bonds and loans with an approximate face value of about \$5 billion to the investment firm. At the time, the move sparked rumblings around Wall Street that Lehman was planning on using the investment vehicle to help hide the fiscal mess.

The portfolio funds of R3 were eventually taken over by asset manager BlackRock last year, which hired key investment advisers in the fund. However, no money changed hands in the deal.

A spokesman at the SEC said the agency doesn't comment on whether it's investigating companies.